

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 CIAE-00 INR-07

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 7191

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E.O. 11652: N/A

TAGS: EDIS, CE

SUBJECT: PROBLEMS IN SRI LANKA FOR EAGLE SHIRT COMPANY

REF: STATE 094004

1. EMBOFF HAS HAD SEVERAL CONVERSATIONS WITH DAVID LURER AND LARRY FIHMA FROM EAGLE SHIRT'S US OFFICES AND WITH WILLIAM WALLACE, EAGLE'S QUALITY CONTROL MAN BASED IN COLOMBO. IN ADDITION TO PROBLEMS OUTLINED PARA 2 REFTEL, EAGLE REPS ALSO INDICATED DISSATISFACTION WITH DASA'S PRODUCTIVITY AND QUALITY CONTROL AND EXPRESSED CONCERN ABOUT PHYSICAL SAFETY OF WALLACE DURING ELECTION PERIOD.

2. ON PROBLEM OF IMPORT LICENSES, EAGLE SHIRT REPS HAVE MET INDIVIDUALLY WITH VARIOUS GSL OFFICIALS AND WILL MEET AGAIN AFTERNOON OF APRIL 28 WITH JOINT GROUP OF OFFICIALS FROM DEPARTMENT OF COMMERCE, MINISTRY OF INDUSTRIES, CUSTOMS, AND CENTRAL BANK EXCHANGE CONTROL TO TRY AND IRON OUT DIFFICULTIES. PART OF PROBLEM IS THAT SOME CUT GOODS WERE SHIPPED TO DASA WITHOUT AN IMPORT LICENSE. EMBOFF SPOKE WITH COMMERCE DIRECTOR SAMARANYAKE, WHO IS CHAIRING APRIL 28 MEETING, TO EXPLAIN EAGLE'S PROBLEM AND TO POINT OUT IT IS IN SRI LANKA'S INTEREST TO MAKE SURE THIS TYPE OF IMPORT/EXPORT BUSINESS OPERATES SMOOTHLY

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IF GSL WISHES TO ATTRACT MORE FOREIGN COMPANIES. SAMARANAYAKE SAID EVERY EFFORT WOULD BE MADE TO RESOLVE PROBLEM.

3. UNLOADING DELAYS ARE DUE, AT LEAST IN PART, TO PORT CONGESTION AS A RESULT OF UNUSUALLY LARGE NUMBER OF SHIPS UNLOADING FOOD, OTHER CONSUMER GOODS, AND

FERTILIZER. NUMBER OF SHIPS STANDING OFF SHORE HAS DECLINED FROM HIGH OF 19 SEVERAL WEEKS AGO TO 6 ON APRIL 27. WITH RICE AND FLOUR WAREHOUSES NOW FILLED TO CAPACITY, FLOOD OF IMPORTS SHOULD DECLINE AND PORT OPERATIONS ARE EXPECTED TO RETURN TO NORMAL IN NEXT COUPLE OF WEEKS.

4. EMBASSY BELIEVES EAGLE'S CONCERN OVER FATE OF DASA SHOULD UNP WIN ELECTIONS IS WELL FOUNDED. DSSA HAS PUBLICLY SUPPORTED SLFP GOVERNMENT IN MANY WAYS AND WILL BE PRIME TARGET FOR UNP RETALIATION. IN RECENT SPEECH, UNP LEADER J.R. JAYAWARDENA HINTED THERE MIGHT BE A FLURRY OF NATIONALIZATIONS IMMEDIATELY AFTER ELECTIONS IF UNP WINS. FROM EAGLE'S POINT OF VIEW, HOWEVER, NATIONALIZATION MIGHT NOT BE THAT BAD. WHILE GOVERNMENT WOULD REPLACE PRESENT OWNERS, MIDDLE AND LOWER MANAGEMENT PERSONNEL WOULD REMAIN AND PRODUCTION SHOULD CONTINUE.

5. REGARDING DASA'S PERFORMANCE, EAGLE REPS COMPLAINED ABOUT INEFFICIENT PRODUCTION METHODS AND POOR QUALITY CONTROL. THEY SAID WORKER PRODUCTIVITY IS ABOUT 10 PERCENT OF US LEVEL DUE TO EXCESSIVE NUMBER OF WORKERS AND MANAGEMENT'S INABILITY TO CONTROL WORK FLOW. NUMBER OF REJECTED FINISHED SHIRTS MUCH TOO HIGH. EAGLE REPS HAVE BEEN INVESTIGATING POSSIBILITY OF USING OTHER SRI LANKA GARMENT MANUFACTURERS BUT HAVE NOT FOUND ANYONE BETTER THAN DASA.

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6. ON QUESTION OF WALLACE'S PHYSICAL SECURITY, EMBOFF SAID ISOLATED INSTANCES OF VIOLENCE TO BE EXPECTED DURING ELECTION PERIOD BUT THIS NOT LIKELY TO BE DIRECTED TOWARDS FOREIGNERS. EMBOFF PROMISED TO KEEP

WALLACE INFORMED SHOULD SECURITY SITUATION DETERIORATE.

7. EMBASSY WILL REPORT FURTHER AFTER APRIL 28 MEETING.
REED

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